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Foreign
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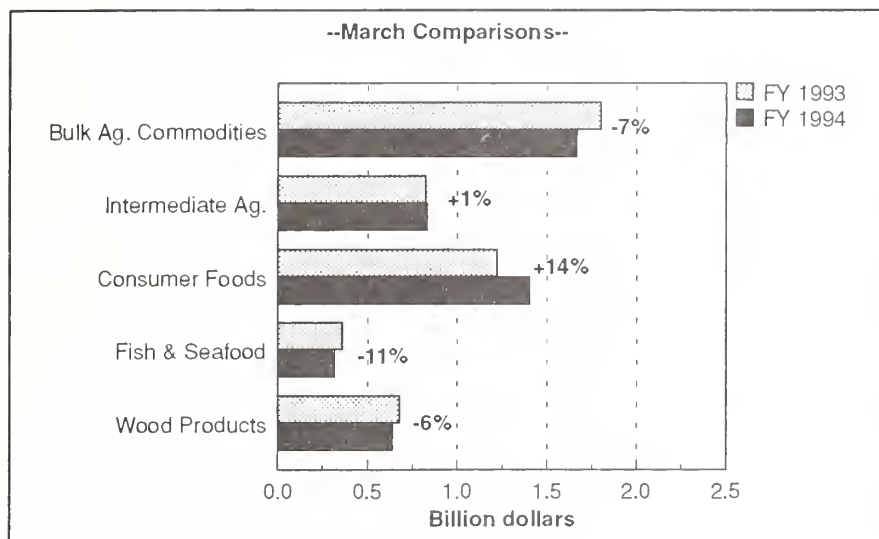
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Agricultural Trade Highlights

No Changes for Total Exports in March

High-Value Exports Continue to Offset Decline in Bulk



March trade data released on May 19 by the Commerce Department placed the value of U.S. exports of *agricultural, fish, and wood products* at \$4.9 billion, or virtually unchanged from the same month last year. Agricultural exports alone totaled \$3.9 billion, up one percent from the same month last year, as increased shipments of high-value products continued to offset a decline in bulk commodity exports. Exports of fish and wood products totaled \$966 million in March, down eight percent from the same month last year.

Showing a marked improvement over the previous month, March shipments brought U.S. exports of agricultural, fish and wood products to \$27.7 billion for the first half of fiscal 1994. This is nearly the same pace set last year which ended in a record high \$52.7 billion.

At \$1.7 billion in March, U.S. exports of *bulk commodities* continue to struggle, off seven percent from the same month last year. Lower

shipments of wheat, soybeans and tobacco swamped gains for cotton and rice. Bulk commodity exports totaled \$10.2 billion for the first half of fiscal 1994, eight percent less than the same period last year.

U.S. exports of *intermediate products* reached \$836 million in March, roughly unchanged from the same month last year. Gains in hides and skins, sugar and sweeteners, live animals, and animal fats offset declines in soybean meal, vegetable oils and planting seeds. Intermediate product exports totaled \$4.9 billion for the first half of fiscal 1994, up one percent from the same period last year.

U.S. exports of *consumer-oriented products* continue to be the bright spot in the U.S. export picture. Shipments reached \$1.4 billion in March, 14 percent ahead of the same month last year. Exports of chilled and frozen red meats, poultry meat, dairy products, eggs and products, fresh fruit, tree nuts, wine and beer, and pet foods registered double-digit gains over previous year

levels. Consumer food exports totaled \$7.8 billion for the first half of fiscal 1994, up nine percent from the same period last year. These high-value products are well on their way to a new record high in 1994.

At \$322 million in March, U.S. *edible fish and seafood* exports were down 11 percent from the same month last year. Declines were broad-based with shipments suffering double-digit losses in four of the six major product groups. Accounting for half the decline, crab and crab meat exports were off \$21 million from year-earlier levels. Canned salmon was the only major product that recorded a sales increase. March's performance leaves U.S. exports of fish and seafood products at \$1.4 billion for the first half of fiscal 1994, up one percent from the same period last year.

U.S. *wood product* exports reached \$644 million in March, down six percent from the same month last year. Increased exports of panel products (largely plywood) were unable to offset double-digit declines for logs. U.S. exports of wood products totaled \$3.4 billion for the first half of fiscal 1994, down four percent from the same period last year.

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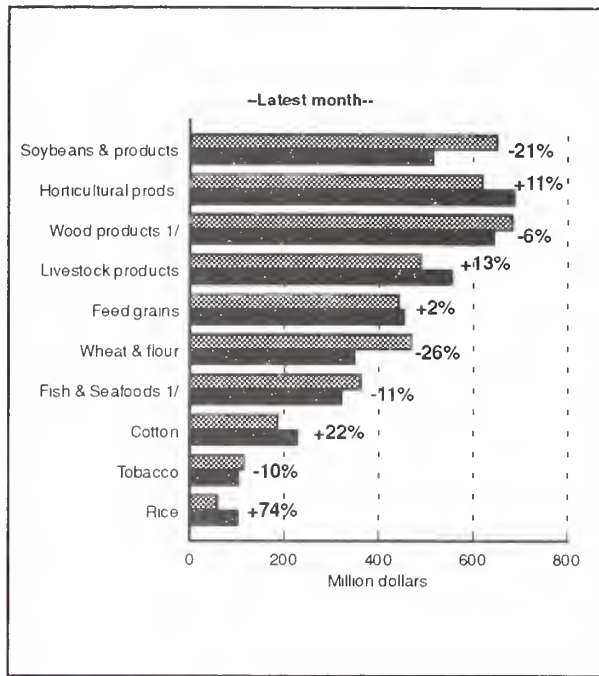
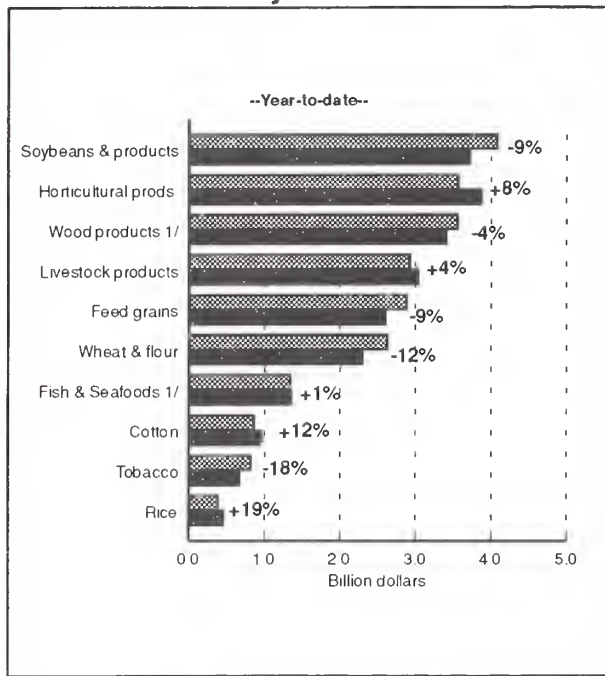
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U.S. Agricultural Export Summaries

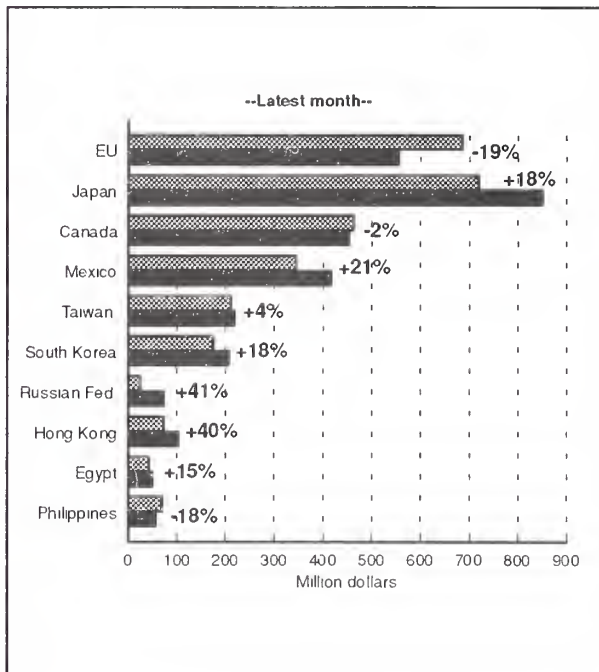
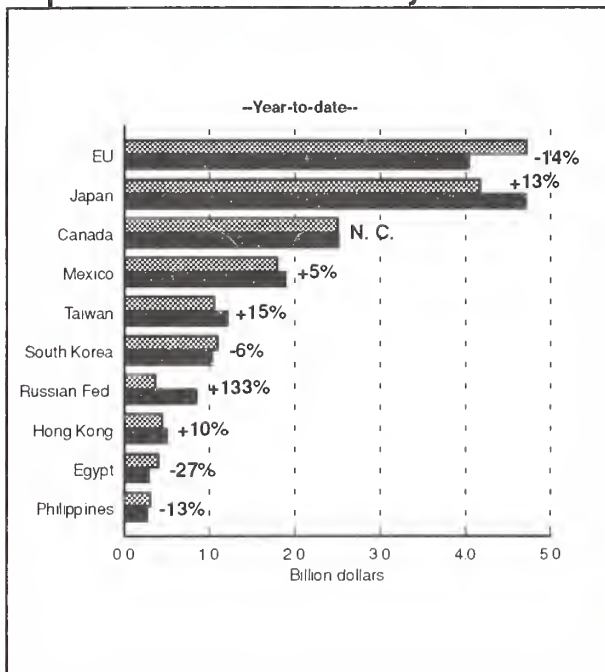
October-March and Latest Month Comparisons

■ FY '93 ■ FY '94

Product Summary



Top Ten Markets Summary



Note: Percentages are computed as the change from a year ago.
1/ Not included in agricultural totals.

Consumer Food Highlights

U.S. consumer food exports totaled \$3.7 billion for the first quarter of 1994, 11 percent ahead of last year's record level. Poultry meat, fresh fruit, and wine and beer are among the leading growth categories highlighted this month. (See next page for graphic depiction of export performance.)

Exports of *chilled/frozen red meats* in the first quarter of 1994 were \$738 million, 9 percent ahead of the same quarter in 1993. Shipments to Japan, the largest market, were steady, 2.6 percent higher than last year. Implementation of trade agreements with Mexico and South Korea is the major factor in double- and triple-digit gains. Sales to Korea, if they continue at the same rate, are on a pace to exceed 1993's record level.

First quarter *fresh fruit* sales were 17 percent ahead of last year's record setting pace, reaching \$398 million. Double-digit increases in apple and grapefruit sales were the leading factors. A dramatic rise in exports to the top four apple markets (Taiwan, Mexico, Canada, and Hong Kong), ranging from 22 to 86 percent, is driving apple growth. Grapefruit shipments rose 16 percent, led by a 48-percent increase to Japan and a 70-percent increase to South Korea.

Exports of *processed fruits and vegetables* totaled \$380 million in the first quarter of 1994, a 2-percent increase over the same period last year. This increase is the result of an ongoing expansion for frozen french fry, dried potato flake, and tomato sauce exports and higher raisin and dried onion prices. The market for low-cost convenience foods in Japan supports much of the export growth in this high-value foods category.

Exports of *poultry meat* were \$315 million for the first quarter of 1994, 40 percent ahead of this time last year. Sales were strong to Mexico, Hong Kong, Russia, Poland, and Singapore. An increase in demand for frozen chicken and turkey cuts has accounted for most of this growth, particularly in Mexico. Demand has been driven by the low cost of the U.S. product in

Russia and Poland, which are traditionally heavy consumers of processed red meats.

Snack food exports totaled \$253 million for the first quarter of 1994, roughly 6 percent ahead of the same period last year. Double-digit growth occurred in a number of markets, including Russia, Japan, Taiwan, Hong Kong, and Singapore. While sales to Russia have largely been driven by chocolate bars, both sweet and salty snack foods are selling well in Asia. Worldwide exports of salty snacks were up nearly \$8 million for the period with sales to Mexico doubling and sales to Japan more than tripling. Sales should continue to be strong in Pacific Rim markets with the recent campaign by a leading U.S. chip company to mass market its brands throughout Asia.

At \$237 million, U.S. exports of *fresh vegetables* for the first quarter of 1994 were 5 percent behind last year's level. Lower shipments to both Canada and Mexico during the period occurred for most fresh vegetables. These decreases were only partially offset by a doubling of sales to Japan, which was driven by higher demand for broccoli, cauliflower, and asparagus. Sales to Taiwan were nearly 4 times their 1993 level, with increases across the board.

Fruit and vegetable juice shipments fell 3 percent in the first quarter of 1994 compared to the same quarter in 1993, reaching \$111 million. A 4-percent decline in shipments to Japan and a 16-percent decline in shipments to the EU are responsible for the overall decline. The bright spots for juice exports were Korea, Hong Kong, and Mexico. Concentrated grape and apple juice sales declined, particularly in Japan. Rising Mexican juice shipments were led by sharp increases in tomato and apple juice.

Wine and beer exports totaled \$89 million in the first quarter of 1994, or 18 percent over the same period last year. Beer accounted for most of the gain with a 28-percent increase to \$50 million. Spurred by advertising campaigns, exports of major beer brands like Budweiser are up to Japan, Taiwan, and Mexico. Wine sales are either flat or falling in all major markets, but export value was up because more high-quality wines are now shipped. Abundant foreign supplies and weakness in the economies of Japan and Europe have halted further export growth since 1992.

Exports of *breakfast foods* were \$67 million for the first quarter of 1994, down 4 percent from the previous year's level. Although double-digit increases occurred in Canada, Mexico, and Japan, sales are down substantially to the EU, Saudi Arabia, Russia, Panama, and Singapore. Shipments of pancake mixes to Japan, which account for the majority of breakfast food sales to that country, are 40 percent ahead of last year's first-quarter figures. Breakfast cereal exports to the EU were nearly \$14 million below their 1993 level, reflecting a shift in production overseas.

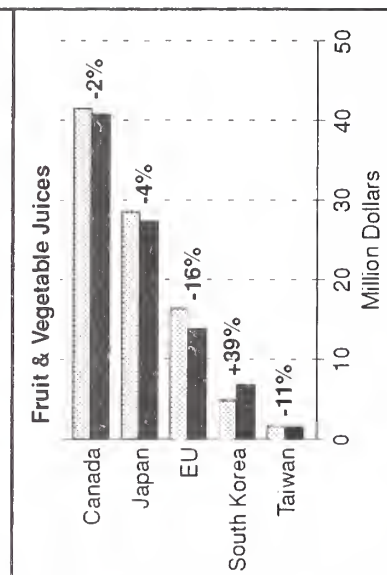
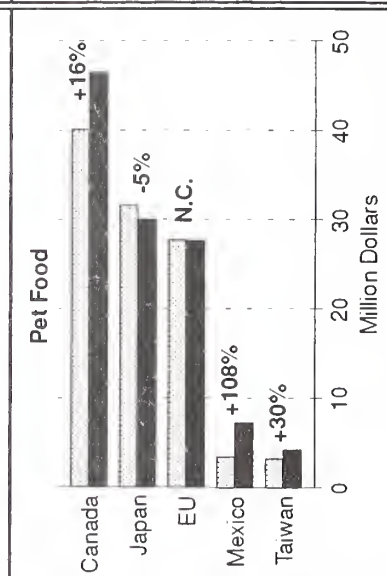
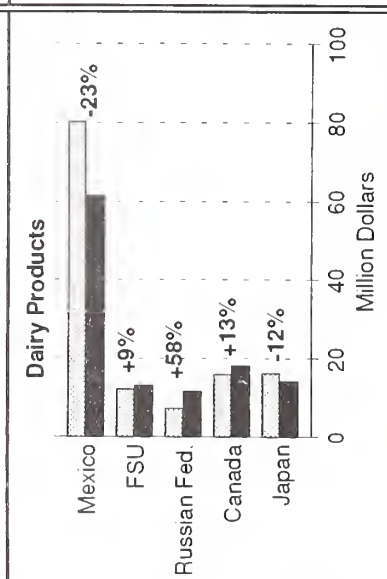
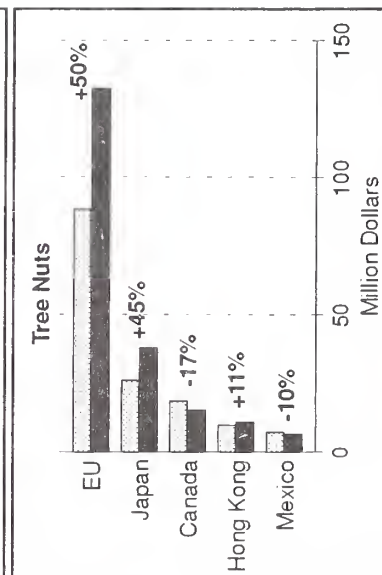
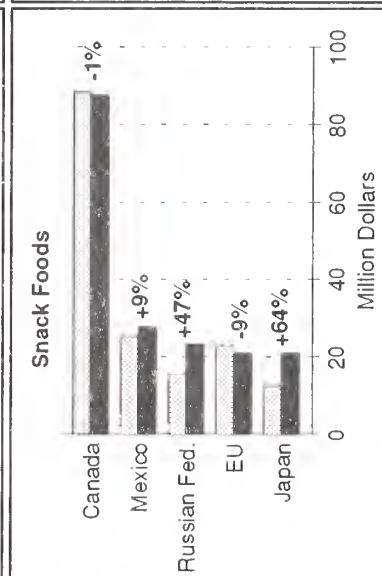
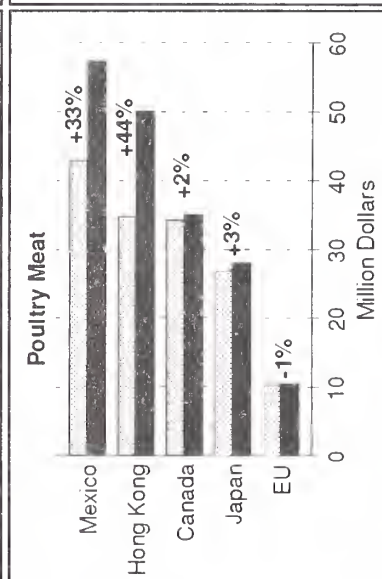
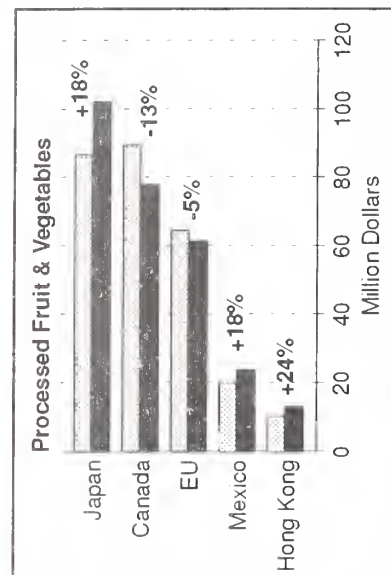
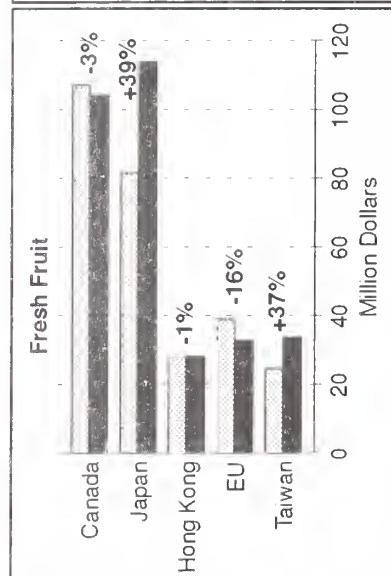
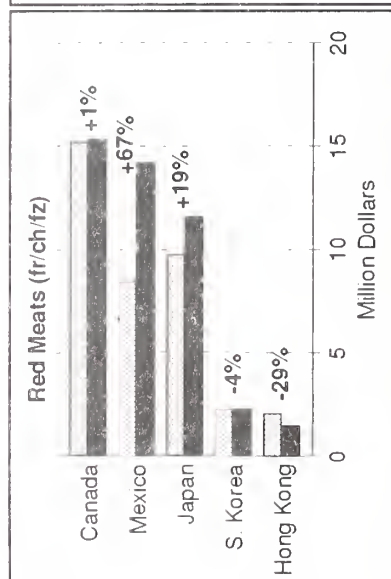
For more information, contact Karen Halliburton at (202) 690-0553.

Top Five Markets for Selected U.S. Consumer Foods

January Through March Comparisons

CY '93

CY '94



Notes: Percentages are computed as the change from 1993 to 1994.
Countries are ranked from highest to lowest based on CY 1993 exports.

Country Spotlight: China

Until recently, the 1.2 billion person Chinese market has been more myth than reality. Now, the potential of the rapidly changing Chinese economy is being realized. With economic growth estimated at 13 percent in 1993, rising incomes are driving increased demand for foreign products and U.S. consumer food products in particular. Continued growth of the Chinese economy, the spread of modern supermarkets and fast food restaurants, and reductions in trade barriers and infrastructure constraints offer U.S. exporters dramatic new export opportunities for a wide range of food products to Asia's most dynamic economy. Agricultural Trade Highlights believes the focal point of these opportunities will continue to be the 100-200 million urban consumers centered in Beijing, Shanghai, and Guangdong Province.

By Robert Tse

Official U.S. statistics present a roller coaster view of trade with China. U.S. agricultural exports rose from \$362 million in 1987 to a high of \$1.4 billion in 1989, and fell again to a low of \$372 million in 1993. However, these statistics do not reveal the true level of trade with China. Inclusion of U.S. re-exports from Hong Kong and "informal" trade, leads to an estimate that 1993 total U.S. agricultural sales to China exceeded \$500 million.

Chinese imports of bulk agricultural products such as wheat and cotton are still driven by state trading, not market-oriented forces. This accounts for wide swings in Chinese imports, and the near impossibility of accurate forecasts of

future demand. U.S. bulk shipments in 1993 were \$297 million - down 40 percent from 1992 and down 85 percent from record levels of the early 1980s.

The overwhelming majority (80 percent) of U.S. trade with China has been bulk products such as wheat and cotton. U.S. sales are affected by the Chinese government's goal of food self sufficiency. Imports are used to make up for shortfalls in domestic production.

One past exception has been wheat, where differences in world prices for wheat and rice led to a complicated strategy of importing cheaper wheat which was substituted for domestic rice.

Rice was then exported to generate foreign exchange earnings.

Another exception to the shortfall rule were U.S. cotton sales in 1993. The large Chinese textile industry is a tremendous user of cotton. Last year's Chinese cotton harvest was off substantially. Instead of filling the harvest shortfall from imports, China filled its cotton needs from domestic stocks. U.S. exports of cotton dropped to virtually zero. Early prospects for 1994, however, indicate an optimistic view for a rebound in cotton sales.

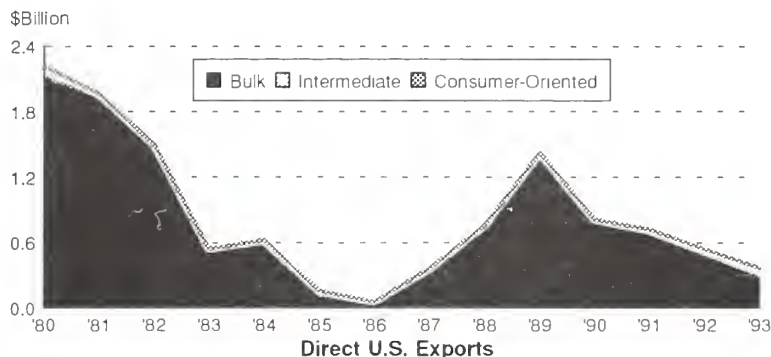
Like bulk commodities, semi-processed intermediate products are also heavily influenced by state trading rather than market-driven forces. U.S. shipments of intermediate products in 1993 reached \$37 million. Hides and skins represent one-third of that amount, reflecting the migration of the leather industry across Asia from Japan to South Korea and now to China. Hides and skins, live animals to improve breeding stock, and planting seeds (vegetable, crop, and turf) have the best near-term sales potential among intermediate products.

More than \$106 million of U.S. forest products were shipped to China in 1993. Although sales have steadily declined since the peak of \$448 million in 1988, potential remains for increased sales. China has minimal forest reserves. Almost all U.S. forest product exports have been soft wood logs used for construction.

Let a 1000 Consumer Foods Bloom

The Chinese consumer food market is blossoming as economic growth leads to rapid income gains and demand soars for more and better products. U.S. sales of consumer foods in China reached a record \$37 million in 1993, according to official U.S. Census Bureau statistics. However, actual U.S. consumer food sales are substantially

U.S. Agricultural Exports to China Mostly Bulk...Fluctuate Widely



understated because of re-exports through Hong Kong and an unquantifiable "informal" trading sector. High Chinese tariffs on consumer foods of 50 percent or more has led to widespread smuggling, and understatement of the value of goods that are reported to customs. According to Hong Kong re-export statistics, U.S. consumer foods shipped to Hong Kong and re-exported to China were \$185 million in 1993. Combined with direct U.S. exports, total U.S. consumer food shipments were \$221.8 million - six times greater than official direct shipments. This would make China the 12th largest U.S. consumer food market after the Netherlands. Regardless of the actual value, the prospects for U.S. consumer foods in China are bright. High tariffs, phytosanitary issues, and bottle necks in distribution infrastructure are the primary constraints to export growth.

The Chinese Consumer

China's low per capita income of \$371 (1992) is misleading. An International Monetary Fund study using purchasing power parity estimates an actual buying power of \$1,450 per capita. However, it is China's 300 million city dwellers with their higher incomes that is the real market for consumer food sales. There are 100 to 200 million urban persons who can afford to buy imported

U.S. consumer foods on an occasional or regular basis. One sign of growing prosperity is the spread of refrigerators. In 1985, only 7 percent of urban Chinese households had refrigerators. By 1993, this figure had grown to 53 percent.

Concentrated on the coast, the three anchors for consumer food sales are Southern China, Shanghai, and Beijing. These three regions have the highest incomes in China. In 1991, mean household income for Guangzhou was estimated at \$2,300, while Shanghai's was \$2,340 and Beijing's was \$1,900. Based on income projections, the up and coming consumer food markets in the next five years appear to be Dalian in northeast China and Wuhan on the Yangtze River.

Southern Anchor: Guangdong Province

Guangdong Province is China's richest province. Adjacent to Hong Kong, Guangdong is home to 65 million people and the three Special Economic Zones (SEZ) of Shenzhen, Zhuhai, and Shantou. Per capita income is estimated to have grown by 15.2 percent in 1992 and 20 percent in 1993. Business activity is also robust with 1992 retail sales up 23.5 percent. These economic factors and the province's proximity to Hong Kong

have resulted in substantial transshipment of U.S. consumer foods through Hong Kong. The SEZ's are especially attractive export destinations because they have a tariff rate that is half the official national rate and offer easy entry into the rest of China due to loose internal border controls.

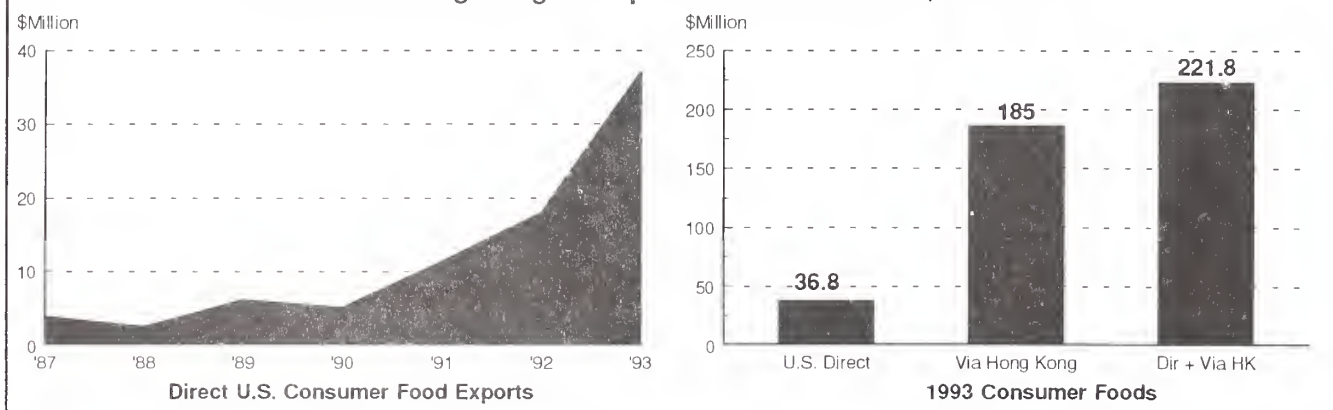
Widespread prosperity is attracting Hong Kong supermarkets and convenience stores while local supermarkets are upgrading and expanding. Hong Kong chains such as Park n' Shop, Nam Fong, CRC, and Dah Chong Hong as well as the first 7-Eleven's have arrived in Guangdong to serve the booming urban areas. Supermarket customers are largely middle and upper income Chinese in addition to expatriates.

The arrival of fast food restaurants such as McDonald's, Pizza Hut, and Chinese fast food chains such as Fairwoods are boosting demand for frozen french fries, chicken parts, food ingredients, and condiments. Local restaurants are also using imported foods such as chicken wings and feet, macadamia nuts, table grapes, and such "exotica" as lettuce and celery.

Head of the Dragon: Shanghai

Shanghai, known as the Head of the Dragon, is located at the mouth of the

U.S. Sales of Consumer Foods Reach \$37 Million Record
Addition of Hong Kong Re-exports Pushes Sales to \$222 Million



Yangtze River basin. The basin is home to more than 400 million consumers. Shanghai's 12 million affluent inhabitants represent a market nearly the size of Australia. Reports from Shanghai indicate affluence that far exceeds levels implied from its official income statistics.

A culture of conspicuous food consumption has emerged in Shanghai. To service this demand, rapid changes in the retail food and restaurant business are under way. The Municipal government plans to open or renovate 100 supermarkets per year, and the Shanghai Lian Hua Supermarket Commercial Corporation has plans to build 60 new supermarkets. Rapid expansion of fast food restaurants and bakeries has opened market opportunities for U.S. french fries, fresh fruits, nuts, poultry, processed foods, and food ingredients.

Brand Names Sell

Foreign brand name products are extremely popular in China and Chinese customers are willing to pay a price premium for them. U.S. brands, especially Sunkist and Coca Cola, are popular. The popularity of Sunkist and Coke stems from their presence in China beginning in the 1920s. Unlike Coke, Sunkist oranges are not available in China today, yet the power of the Sunkist brand has led to the sale of counterfeit Sunkist oranges (domestic or foreign oranges sold with a faux Sunkist stamp). Another example of the popularity of brand names, according to the China Economic Review, is the renaming of a Shanghai street to Famous Brand Name Road.

U.S. branded products have tapped into a strong Chinese preference for snacking. This has led to rising sales for snack nuts (pistachio and almonds) and growing market opportunities for apples, sweet grapefruit, oranges, table grapes, and dried fruits. A danger to the popularity of U.S. brand names is

that the widespread brand counterfeiting may undermine the quality reputation of the genuine product. Chinese language labels may help Chinese consumers distinguish the fake from the real.

Changing Venues for Consumer Foods

The retail and restaurant venue for food sales is rapidly changing. This is opening more opportunities for U.S. sales of meats, fresh fruits, and processed foods including frozen foods and food ingredients. Development of a Chinese processed food industry also presents a market opportunity.

The urban retail-food sector has three basic parts: supermarkets, grocers, and wet markets. Supermarkets are upscale self-service stores with aisles and cold storage units. They are principally found in Beijing, Shanghai, and Guangzhou. Originally serving foreign expatriates, the supermarket customer base has expanded to the affluent Chinese population. Domestic supermarkets are expanding, and foreign supermarket chains from Hong Kong and Japan are entering what is viewed as a high-growth market. Industry trade publications report that one Japanese company, Yaohan, has plans to open 1,000 supermarkets by 2010.

Grocers are similar to old style counter service grocery-general stores. Grocers carry packaged goods, produce, take-out food, and some have a frozen food counter. Some of these stores are evolving into convenience type stores.

Wet markets are the traditional vending stands where fresh fruits, vegetables, and meats are sold. This is the principal medium of shopping for most consumers. Access through wet markets to fresh produce contributes to the strong Chinese consumer preference for fresh produce over canned or other processed products.

The restaurant sector is also in the process of rapid changes. This again is creating market opportunities for U.S. consumer foods, especially for frozen french fries, condiments, and poultry parts such as chicken paws and wing tips. Fast food restaurants are spreading across China. These include U.S. companies as well as Asian chains from Singapore, Malaysia, and Hong Kong. There are also numerous Chinese fast food restaurants which serve Chinese food. The marketing challenge and opportunity is to supply these restaurants with a wide array of U.S. ingredients.

Tourist hotel restaurants represent another venue for U.S. consumer food sales. Originally catering solely to foreign tourists, tourist hotel restaurants are drawing a substantial local walk-in customer base. Changes in currency regulation allowing hotels to accept renminbi (local currency) have helped to spark demand. Tourist hotels are serving as a medium to introduce U.S. foods to the trend-setting affluent of China.

Tourism: Another Market for U.S. Foods

According to Chinese tourist bureau statistics, 38 million foreign tourists visited China in 1992 generating nearly \$4 billion in revenues. An estimated 330 million domestic tourists traveled in 1992. This huge tourist market along with three major Chinese tourist promotions scheduled between now and 2000 means that there is a large and growing hotel/restaurant trade that offers significant market opportunities for U.S. food exporters. These promotions include 1994's Visit Asia Year, 1997's Visit Hong Kong Year, and 1999's 50th Anniversary of the founding of the People's Republic. Western tourism is driving demand for premium beef cuts, poultry products, frozen potato products, fresh fruit, and fruit juices. Other market opportunities exist for bakery and confectionery

products, snack foods, drinks, and food ingredients.

In recognition of the importance of this sector, the Chinese government has been sponsoring or co-sponsoring a number of trade shows. [See Grey Box for Upcoming Trade Shows] FAS will be sponsoring the Great American Food Show - China '95.

Best Prospect Products

At present, the most popular U.S. consumer food exports are poultry meat products, namely chicken paws and wings. Official direct U.S. shipments of poultry reached a record \$18 million in 1993. However, inclusion of 1993 Hong Kong re-export numbers indicates that total shipments of U.S. poultry were \$111 million.

Confirming the importance of Hong Kong re-exports, a leading U.S. poultry exporter reports that nearly all of their shipments of poultry to China are re-exported through Hong Kong. The most popular poultry parts are chicken wing tips, paws (foot with shank attached), and mid joint wings. The popularity of chicken wings is attributed to Chinese consumer preference for chewing bones. Chicken wing tips are used in soups and rice dishes. Chicken feet are a popular item in dim sum.

U.S. snack foods, including fruit and nuts, are also becoming more popular in China. Factoring in Hong Kong transshipments, U.S. nut sales are estimated at more than \$22 million and, based on current trends, are headed higher. Pistachios are a popular snack item because of its name, Kaixingguo which translates into the Happy Nut. Pistachios are sold in retail packs in supermarkets, in karaoke bars, and as gift items. Dried fruits, especially California raisins, are also popular in urban supermarkets. Estimated 1993 re-exports from Hong Kong are \$2.8 million.

Another best prospect is fresh fruit, particularly red delicious apples. Fruit is commonly consumed as a snack, served at the end of banquets, or purchased as a gift item. The major constraint for increased fresh fruit sales are Chinese phytosanitary restrictions and high tariffs. These are currently being addressed in on-going trade negotiations. However, restrictions on apples have been recently eased. If phytosanitary trade barriers are eliminated, table grapes (red globe), oranges, nectarines, cherries, and plums have excellent market potential. In spite of phytosanitary trade barriers, many U.S. fresh fruits are readily available in fruit stands in Guangdong Province.

Other best product prospects, based on 1993 total U.S. sales of direct and re-exports from Hong Kong, are ginseng (\$29.3 million), confectionery (\$4.3 million), frozen french fries (\$1.1 million), edible beef offal (\$5.9 million), fresh vegetables such as iceberg lettuce and celery (\$1.6 million), seafood such as fish roe, crab, and salmon (\$29.8 million), condiments, and beer.

Emerging products to watch for in the future are fruit juices (particularly bulk concentrate), canned fruit (peaches and fruit cocktail), ice cream powder, jams and jellies, sweet corn (canned & frozen), turkey (cuts & offal), chicken franks, pet foods, breakfast cereal, and convenience foods.

*The author is with the Trade and Marketing Analysis Branch, FAS.
Tel: (202) 720-1034*

For more information on exporting to China, contact: (North China and Shanghai) Scott Sindelar, ATO, Beijing at (011-86-1) 505-4575 or FAX(011-86-1) 505-4574; (South China, Guangzhou, and the Special Economic Zones) Wayne Molstad, ATO, Guangzhou at (011-86-20) 667-7553 or FAX (011-86-20) 666-0703 or LaVerne Brabrant, ATO, Hong Kong at (011-852) 845-2350 or FAX (011-852) 845-0943.

Upcoming Food Shows in China

Food and Hotel China '94

Beijing, China

September 26 - 29, 1994

For information contact:

Scott S. Sindelar, ATO

U.S. Embassy PSC 461, Box 50

Food and Hotel China '95

Tel: (011-86-1)505-4575

Fax: (011-86-1)505-4574

Great American Food Show - China

Guangzhou (Canton), China

March 14 - 16, 1995

For information contact:

Sarah Hanson

USDA Trade Show Office

AG Box 1052

Washington, D.C. 20250-1000

Tel: (202) 720-9423

Fax: (202) 690-4374

HOTELEX Shanghai

Shanghai, China

March - April, 1995

Tentative: Information

not yet available.

Food and Hotel China '95

Shanghai, China

September 5-8, 1995

Tentative: Information

not yet available.

U.S. Exports of Agricultural, Fish & Wood Products to CHINA

Calendar Years 1989 to 1994 and Year-to-Date Comparisons
(Thousands of Dollars)

Product	Calendar Years					January - March		% Chg
	1989	1990	1991	1992	1993	1993	1994	
Bulk Agricultural Total	1,391,557	791,019	682,314	488,683	297,430	120,392	90,837	-24.5%
Wheat	1,099,043	497,348	363,339	272,951	274,186	113,447	68,481	-39.6%
Coarse Grains	33,545	15,033	70	0	0	0	0	0.0%
Rice	13	3	6	10	15 *	7	5	-28.6%
Soybeans	0	0	0	29,682	22,999	6,781	8,645	27.5%
Cotton	258,761	277,213	318,794	185,943	179	158	13,362	8357.0%
Tobacco	0	938	0	0	0	0	0	0.0%
Pulses	115 *	0	0	0	28	0	0	0.0%
Peanuts	0	0	0	0	0	0	0	0.0%
Other Bulk Commodities	80	484	105	96	22	0	344	NA
Intermediate Agricultural Total	27,225	17,763	28,523	37,730	37,496	7,459	17,564	135.5%
Wheat Flour	0	0	0	8	0	0	0	0.0%
Soybean Meal	6,527 *	0	0	0	29	0	0	0.0%
Soybean Oil	0	0	852	7,880	270	0	0	0.0%
Other Vegetable Oils	37	14	66	645	93	14	26	85.7%
Feeds & Fodders (excl pet foods)	150	437	1,239 *	503	978	328	661	101.5%
Live Animals	4,089	6,331	8,701	9,768 *	7,976	527	1,407	167.0%
Hides & Skins	7,378	1,684	7,470	8,770	13,077	1,415	11,495	712.4%
Animal Fats	0	1,625	33	33	3	3	0	-100.0%
Planting Seeds	2,631 *	685	1,545	1,502	1,370	946	535	-43.4%
Sugars, Sweeteners & Bever. Bases	1,070	541	2,950 *	1,952	2,386	598	121	-79.8%
Other Intermediate Products	5,343	6,448	5,667	6,669	11,313 *	3,627	3,318	-8.5%
Consumer - Oriented Agricultural Total	5,903	4,922	11,166	17,811	36,812 *	8,599	8,465	-1.6%
Snack Foods (excluding nuts)	273	157	370	427	2,956 *	523	1,382	164.2%
Breakfast Cereals & Pancake Mix	139	6	0	0	7	0	0	0.0%
Red Meats, Chilled/Frozen	162	89	92	918	1,826 *	433	713	64.7%
Red Meats, Prepared/Preserved	339	498	884 *	257	126	0	30	NA
Poultry Meat	229	1,861	2,771	5,627	17,575 *	3,064	3,412	11.4%
Dairy Products	214	353	3,646 *	1,346	693	248	253	2.0%
Eggs & Products	29	0	38	48	158 *	131	0	-100.0%
Fresh Fruit	817 *	240	346	0	238	90	71	-21.1%
Fresh Vegetables	51	17	0	52	13	0	0	0.0%
Processed Fruit & Vegetables	221	684	133	575	919 *	107	467	336.4%
Fruit & Vegetable Juices	266	66	274	222	512 *	248	28	-88.7%
Tree Nuts	1,164	164	0	5,042	7,272 *	2,908	699	-76.0%
Wine and Beer	35	63	36	40	560 *	0	67	NA
Nursery Products & Cut Flowers	83	138	413 *	318	45	0	33	NA
Pet Foods, Dog/Cat	84	21	182 *	0	8	0	3	NA
Other Consumer - Oriented Products	1,798	568	1,982	2,938	3,903 *	846	1,307	54.5%
Wood Products Total	180,843	179,972	168,189	128,415	106,277	23,423	17,961	-23.3%
Logs	173,671	175,300	166,124	121,933	97,605	22,257	17,006	-23.6%
Lumber	515	534	1,387	3,742	1,972	404	505	25.0%
Plywood & Panel Products	1,681 *	1,170	469	491	1,304	55	259	370.9%
Other Wood Products	4,976	2,969	208	2,249	5,395	706	190	-73.1%
Fish & Seafood Products Total (Edible)	691	909	14,327	19,181	27,792 *	16,516	18,620	12.7%
Salmon, Whole/Eviscerated	0	0	48	554	837	92	1,126 *	1123.9%
Salmon, Canned	0	0	0	0	0	0	0	0.0%
Crab & Crabmeat	0	173	10,663	15,001	20,030 *	15,605	16,204	3.8%
Surimi (fish paste)	0	0	0	0	309 *	61	0	-100.0%
Roe & Urchin	211	589	203	473	397	0	0	0.0%
Other Edible Fish & Seafood Products	481	147	3,414	3,153	6,218 *	758	1,290	70.2%
Agricultural Product Total	1,424,685	813,704	722,003	544,224	371,738	136,450	116,866	-14.4%
Agricultural, Fish & Wood Product Total	1,606,219	994,585	904,519	691,820	505,807	176,389	153,447	-13.0%

Note: (*) Highest export level since at least 1970.

Product Spotlight: Non-Chocolate Candy

The story of the U.S. candy industry's success abroad is oh so sweet. Since 1989, U.S. exports of non-chocolate candies such as gummy bears, jelly beans, gum, licorice, toffee, lozenges, and rock candy have tripled, reaching a record \$166 million in 1993 and headed higher in 1994. Although U.S. and European multinationals are big players in global markets for certain types of candy products, there are excellent opportunities for aggressive small- and medium-sized firms in foreign markets, particularly in Western hemisphere and Asian Pacific Rim countries. With continuing trade liberalization in key markets and strong promotion, U.S. bagged candy exports could reach \$400-500 million by the end of the decade.

By Diane Dolinsky

The U.S. non-chocolate candy industry is making significant inroads in foreign markets. Between 1986 and 1992, the U.S.' share of global trade in non-chocolate candy rose from 3.7 percent to 9.8 percent. While this is good news to U.S. candy manufacturers, the overall picture is even more positive. Global trade in non-chocolate candy has expanded at 15 percent per annum for 6 years, and should continue to grow at a double-digit pace through the end of the decade. Given the competitiveness of the U.S. confectionery industry, strong promotion activities overseas, and trade liberalization in Mexico and South Korea, the U.S. industry should continue to enjoy record sales.

U.S. candy firms have established strong distribution networks and brand

awareness in key developed markets, but they are just beginning to address consumer needs in emerging markets. In developed countries like Canada, Japan and Western Europe, candy sales are showing steady increases due to new marketing concepts for high-volume, point-of-sale displays near check-out registers to capture impulse sales. However, as more U.S. firms promote their products in newer markets such as Argentina and Saudi Arabia, exports will likely become even more crucial to the bottom line of U.S. manufacturers.

A Unique Consumer Product

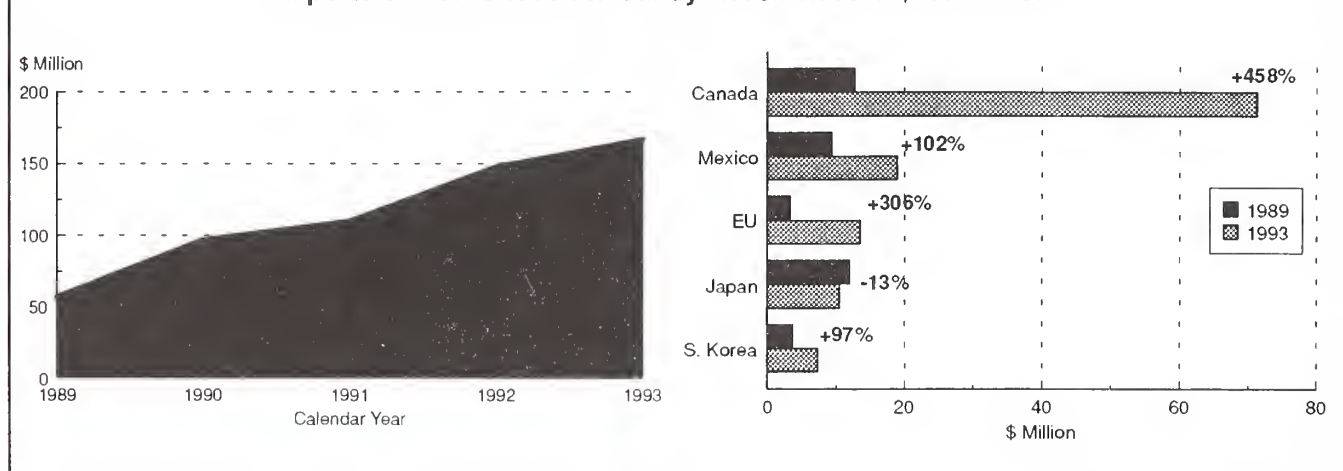
Candy, and non-chocolate candy in particular, has both similarities and dissimilarities to other consumer-

oriented foods. Like other snacks, it can be an impulse purchase, sold in small retail packs that hang on a pegboard at the check-out counter of a pharmacy or in a mass merchandise store. However, formulations with higher quality ingredients, novelty candies, and other fancy candy items can also be positioned as upscale products to be sold in the gift foods section of a department store or in an imported food store.

Also, like the condiment or frozen food industry, the ability to launch new products with different themes or different formulations or different packaging formats is one of the strengths of the U.S. industry. This has created a good stimulus for overseas candy markets and helped U.S. firms satisfy the range of tastes of foreign consumers.

Unlike other consumer-oriented foods like meats and juices, recessions generally do not affect the demand for candy in most markets (exception is the premium end of the candy market). Non-chocolate candies have not materially increased in price over the last five years, so it is as affordable now as always. Moreover, unlike most bakery products, one cannot make confectionery at home. Thus customers with a yearning for candy must purchase it.

Exports of Non-Chocolate Candy Reach Record \$166 Million



...Non-Chocolate Candy

Trade Shows and Other Promotions

Potential exporters are advised to use all the tools available to research overseas markets before launching their product abroad. One of these tools is international trade shows, which have proven invaluable in helping candy companies become acquainted with the trade and make contact with distributors. For example, the Herman Goelitz Candy Co., a family-owned firm which currently exports its candy products to about 30 countries, has participated in trade shows ranging from the ANUGA show in Germany, to the Fine Foods show in Australia, and solo shows in South Korea and Hong Kong.

A second tool which is at the disposal of U.S. firms: the National Confectioners Association (NCA) in McLean, Virginia, which has been very active in promoting generic U.S. candy products abroad and is helping to boost brand awareness among foreign customers. Given the significant number of medium-sized firms in the United States and the broad array of candy products which may be unfamiliar to overseas consumers, the NCA's Export Program helps U.S. companies develop a viable export strategy and acquire basic knowledge of foreign candy markets and distribution channels. A portion of the funding for their overseas promotions comes from the USDA's Market Promotion Program (MPP). For more information on the NCA's export activities, contact James Johnson at (703) 790-5750.

Geographic Taste Preferences

The colors and tastes that are favored in overseas markets may differ from the popular flavors in the United States, and this must be taken into account in selecting the products to introduce abroad. According to Michael Lynch of Haarman & Reimar, a flavor specialty house, grape is a distinct U.S.

flavor, with a small, though significant, following in South America and Japan. However, wintergreen, which is popular in mints and suckers in the United States, is largely unappreciated outside North America. Lemon or citrus flavors are the most common worldwide, but they enjoy the greatest popularity among consumers in tropical regions. Europeans like black current, a flavor which has not been that popular in the United States.

Mexican and other Latin American consumers tend to enjoy spicing up their taste buds with a little heat. Consequently, firms aiming to sell in these markets may consider adding a little chili to the ingredients. Butterscotch and peppermint have universal acceptance, but even here, Latin American users prefer the stronger taste of their particular genus of peppermint.

Right now there is a craze for sour candies both in the United States and abroad, particularly in Asia, Australia, and New Zealand. The industry expects that the craving for acidic flavors will continue to grow, which should delight candy makers, who can boost the acid content in an existing product to get a new product. In the health-conscious 1990s, the industry is also trying to expanding its offerings of sugar-free confections (chewing gum, hard candy, and gelatin gums), a niche which is likely to face growing demand, especially among customers in Canada and Europe.

Sales to Canada Particularly Strong

At \$71 million in 1993, Canada is not only the number one foreign market for U.S. bagged candy, but it is potentially an even bigger prize for those who make headway in the candy market there. From 1989 to 1993, U.S. non-chocolate candy exports more than quadrupled as firms realized that they could go north with few obstacles

besides the bilingual labelling requirement. According to the NCA, the United States now has about 45 percent of the Canadian confectionery import market, up from 38 percent in 1989. The U.S. share is projected to continue rising, reaching an estimated 50 percent by 1996.

Also favoring increased sales for the U.S. industry, per capita consumption of candy in Canada is likely to grow in the foreseeable future. There is a long way to go between Canadian's present consumption of 14.4 pounds per person and the U.S. figure of 21.3 pounds per person.

Canadian trends closely mirror those in the United States. They are opening up gourmet candy stores and moving away from bag candy to fancy candy. Currently, upscale products like Jelly Belly jelly beans, Atomic Fireballs, and Lemon Heads are doing well, which highlights the trend towards targeted promotion and away from traditional bulk candies. Jelly Belly jelly beans, the flagship product produced by the Herman Goelitz Candy Co., is made with natural flavors and comes in innumerable taste sensations from blueberry to buttered popcorn and jalapeno. Ferrara Pan Candy Company's Atomic Fireballs is marketed as a personal treat and is displayed in a box with big, graphic cartoon figures. Similarly, Lemon Heads is a novelty lemon drop featured in an attractive box.

Mexico Opens Up

Mexico is the second largest market for U.S. non-chocolate candy, representing \$19 million in exports last year. However, the outlook is bright for an even larger value of shipments in coming years, as distribution channels continue to open up, tariffs on candy drop further in the wake of NAFTA, and U.S. prices remain competitive with Mexican candies. Of these, changes in distribution channels offer the greatest

...Non-Chocolate Candy

hope of increased sales. With the introduction of more supermarket chains, the opening up of hypermarkets (such as Sam's and the Price Club), and the rapid changes in wholesale distribution (particularly near the U.S.-Mexican border), U.S. suppliers face a promising future.

There are basically four types of outlets for candy sales in Mexico: street sales, candy stores, dry goods stores, and department and grocery stores. The street sales and candy stores, which may be as small as a room on the ground floor of a building, are the province primarily of Mexican candy producers. In the dry goods stores such as Woolworths, U.S. firms generally have good representation. U.S. products that feature Mickey Mouse on the packaging or offer bubble gum in a tube, to cite two examples, are doing well at the front of the store, where they attract impulse buyers. Farther back in the aisles, U.S. product must compete with European imports, products from third countries like Brazil, and good domestic brands made by companies like Bimbo.

U.S. firms have greater progress to make in the third venue, the Mexican department or grocery stores, where third country producers are successfully attracting Mexican customers with more attractive packaging. Since U.S. product is not packaged as a gift product in what is essentially a gift market, they are losing sales in the high-end, where presentation is paramount.

For many of the smaller U.S. companies which are actively exploring the Mexican market, there could be great benefit from tying into the market research and promotions of the NCA. Utilizing MPP funds, the NCA is now funding 10 companies with branded promotions. These involve in-store demos, shopping mall contacts, and a singing contest sponsored by a U.S. candy firm. In the latter promotion,

contestants and winners received samples of U.S. candy. Through generic consumer attitude surveys, the NCA has gained many useful insights. One of the most interesting lessons: many young Mexican mothers buy U.S. candies to fill pinatas for their children.

Europe: Niche Products Are the Way to Go

U.S. non-chocolate candy exports to Europe reached \$14 million in 1993, up 300-percent over the period 1989-93. Historically, the European Union has not been a good market for U.S. bagged candy. However, this is beginning to change as U.S. firms offer products that are easily identified as an American product, thereby carving out a niche for themselves.

There are many reasons U.S. sales were low in the past. First of all, Europeans tend to prefer liquor-filled candies, which are almost by definition a chocolate item. Second, they have quite different taste preferences. For example, their licorice is a natural product used to freshen one's breathe after smoking, whereas the licorice found in the United States is red and sweet. Other associations which U.S. consumers make, such as softness and freshness, are rather unfamiliar to Europeans. On the whole, Europeans do not care if their fruit slices and jelly beans are soft; they utilize pectin where U.S. firms use corn starch. For this reason, Europeans recognize and like a certain rigidity in the bite of these candies.

Third, the red, yellow, and blue colors which are commonly used to manufacture candy in the U.S. are frequently prohibited in the EU. Consequently, a U.S. company would find that it does not make sense to change a formulation unless they had a very large volume customer.

Fourth, Europeans like small packages of candy. With such small servings, the

freight expense is high which makes it difficult to compete with comparable European offerings. Fifth, Europeans generally do not give their children snacks in their school lunch bags, which limits opportunities for those U.S. candies positioned as "healthful", such as fruit-based snacks.

Lastly, hard candy from Eastern Europe is extremely inexpensive and well-wrapped. Although U.S. products may offer better quality overall, they usually cannot compete in the lower end of the European candy market. The competition offered from the East will be even stiffer in the future, according to Beth Silverwater, President of Sweet Solutions, Inc., as several large multinational companies start production in these countries.

There are, however, some exceptions to these observations and it is in those exceptions that U.S. firms have managed to find niche markets for themselves. U.S. firms have managed to sell candies in Europe which the Europeans do not manufacture themselves and which Europeans view as distinctly American. For example, with assistance from the NCA and MPP funding, Minkowitz Services Export Company introduced candy canes to the United Kingdom. Although candy canes were an unfamiliar product and not produced locally, good merchandising, packaging and product promotion made the product's introduction in the United Kingdom a success.

The experience of Minkowitz can be a lesson for all. Although the United States has only a small share of the global market for non-chocolate candies, U.S. manufacturers can successfully identify and developed demand for their products overseas.

The author is formerly with the Trade and Marketing Analysis Branch, FAS.

Trade Policy Updates

Mexico Holds an Auction for NAFTA Dry Bean Imports

On May 11, the Mexican Government held an auction for the rights to import 49,570 metric tons of dry edible beans from the United States under the NAFTA 50,000 ton duty-free quota. According to sources that attended the auction, only 33,163 tons were awarded to bidders at an auction price of 10 pesos per metric ton (equivalent to slightly more than US\$3/ton.) The failure to award the entire auction amount is attributed to the auction requirement that restricted imports to the period of July-September. Currently, the type of beans sought by Mexico are in short supply in the United States and thus U.S. prices are high. U.S. prices also rose in reaction to the earlier announcement of the Mexican auction. Reportedly, another auction will be scheduled to dispose of the remaining quantity.

U.S. Rice Exports Account for About 20 Percent of Japan's Rice Imports

Japan's Food Agency intends to import over 2.5 million tons of rice from all sources between November 1993 and October 1994 and as much as possible should come from the United States. Although Japanese consumers prefer U.S. rice to Thai rice, Thailand is still the largest supplier because of its price and proximity to Japan. As of mid-April, Japan purchased just over 2 million tons of rice, with the U.S. providing almost 400,000 tons. Thailand has provided 835,000 tons while unconfirmed reports indicate that China has shipped roughly 800,000 tons and Australia has shipped 40,000 - 60,000 tons.

U.S.-Korea Food Safety Meetings End in Impasse on Sausage Issue

The U.S.-Korea Food Safety meetings, held in Seoul May 4-6, ended in an impasse over the issue of 40 containers of U.S. sausages stranded at the port of Pusan in Korea. The Korean government's refusal to allow this product to pass customs since mid-February has blocked approximately \$1.3 million of U.S. heat-treated, frozen meat sausages and other like products, which last year amounted to an \$8 million market for the United States.

Extension to Respond to Mexican Wheat Countervailing Duty Investigation

The United States received an extension of time to file materials related to Mexico's countervailing duty investigation against U.S. and Canadian wheat exports. The extension was based on a request solicited by the USG. The USG and the U.S. wheat trade had until May 23, 1994 to respond to the investigation; the previous deadline was May 16. FAS has prepared a draft response to the questionnaire provided by the Mexican Government.

NAFTA Tariff Acceleration Products to Be Published

A notice announcing the "accelerated" NAFTA tariff elimination negotiations was scheduled to be published in the U.S. Federal Register on May 23, 1994. This announcement was to include the specific products for which Canada, Mexico and the United States will hold future tariff acceleration negotiations. The product lists will also be provided to the U.S. International Trade Commission and the Policy and Technical Advisory Committees for comment.

EU Council to Implement Settlement of Chilean GATT Apple Panel

On May 17, the General Affairs Council adopted the Special Committee on Agriculture's proposal to implement an agreement with Chile over apple imports. The EU will modify its import regime for both apples and pears by amending legislation based on Article 113 of the Treaty of the European Union rather than regulation 1035/72, which defines the common policy for fruits and vegetables. In March, in response to the Chilean Gatt panel complaint, the EU agreed to modify the operation of the reference price system. Chile will be expected to drop its complaint as a result of the EU's move to implement their settlement.

Market Updates

Australia Makes Inroads Into Latin American Markets

Australia recently broke into the Ecuadorian wheat market with a 42,000-ton sale. Ecuador had been virtually a 100-percent U.S. market until 1990. The Australian price was \$147/ton C&F, compared to a U.S. price of \$190/ton C&F. The Agricultural Attache in Brasilia reports that Australia has sold 15,000 tons of wheat to Brazil and that the Australian Wheat Board is planning a trip to Brazil next week. If shipped, this would represent the first Australian wheat sale to Brazil in recent history. Additionally, Australia sold 72,000 tons of wheat to Colombia this year, their first business there since 1986/87.

Australia Emphasizing Asian Feed Wheat Sales

On April 21, the Australian Wheat Board (AWB) held a Feed Grains Seminar in Singapore for customers from Malaysia, the Philippines, and South Korea, introducing both the AWB's new feed grains market development program and Australia as a supplier of feed grains, primarily feed wheat. The seminar focused on how to buy feed wheat from the AWB and how to technically substitute feed wheat for corn in poultry and swine feed rations. The AWB announced that their feed wheat was \$15 cheaper than U.S. corn. Malaysia, Singapore, the Philippines, and Thailand import more than 2 million ton of feed grains per year. If China exports less corn in the future due to internal demand, then competition between Australia and the United States will likely increase.

Turkey Prepares Grain Export Tenders

The Turkish Grain Board (TMO) plans to tender for export of 300,000 tons of barley and 650,000 tons of wheat on May 9, 1994. The exports are subsidized, and represent nearly 50 percent of last year's exports of the grains. The barley tender will include 200,000 tons of white barley and 100,000 tons of black/blue barley. The wheat portion of the tender includes 25,000 tons of durum; 300,000 tons of red milling wheat; 205,000 tons of white milling wheat; 50,000 tons of red wheat (low quality); and 75,000 tons of low quality white wheat. Delivery periods are scheduled for July through December for both commodities.

Canadian Rapeseed, Durum Wheat Planting Intentions Soar

According to Canada's recent planting intentions report, farmers plan to seed 5.3 million hectares of rapeseed in 1994, up 26 percent from last year's record seeded area of 4.2 million. The potential for high returns currently associated with rapeseed is one of the main motivating factors behind the increase in area. Producer intentions for durum wheat area are at 2.2 million hectares, an increase of 47 percent from last year's 1.5 million. The increase is in response to strong prices for durum, due to reduced world supply. Spring wheat planting intentions are down 19 percent, to 9.1 million hectares, due to producer desire to diversify into a variety of other crops. Producer intentions for barley area are at 4.4 million hectares, a decrease of 4 percent from last year's seeded area of 4.6 million.

EU Opens 1994/95 Export Tenders Early

Indicating a change in focus, the EU announced the opening of new-season export tenders covering 6.7 million tons of wheat, barley, and rye nearly 3 weeks earlier than last year. Although these initial export tenders are less than last year's 8.3 million tons, the earlier announcement will allow EU traders to begin making sales for 1994/95 shipment. For the second consecutive year, there were no tenders announced for durum as domestic supplies for internal use and export continue to shrink under CAP reform.

...Market Updates

South Korea to Liberalize Imports of Major Seafood Groups

Imports of fisheries products into South Korea are expected to rise rapidly with new liberalization schemes resulting from the recent GATT agreement. Demand for fish products continues to grow steadily while domestic landings have fallen due to resource access and habitat quality problems. Conceding that imports must close the supply/demand gap, Korea announced the further liberalization of 46 fishery products to begin in July 1995 and to proceed through July 1997. This represents the second phase of liberalization schemes which began in 1992 after some tough bargaining sessions with various countries including the United States. South Korea's main seafood import items include cod, herring, and Alaska Pollock, but consumers are reportedly aware and receptive to a wide range of U.S.-sourced seafood. The Alaska Seafood Marketing Institute and other U.S. seafood promotion groups are keenly interested in South Korea, provided market access and distribution impediments can be overcome. Last year, U.S. seafood exports to South Korea amounted to \$110 million.

EU Begins Belated Rice Export Program

On April 14, the EU Commission announced the opening of the first export (subsidy) tender for rice for 1993/94. An export tender for 10,000 tons of predominantly (but not exclusively) medium grain rice will be exported with a fixed export subsidy of ECU 260/ton (roughly \$358/ton). Subsequently, on April 28, the EU Commission doubled the amount of rice available for export restitution to 20,000 tons, and increased the subsidy to ECU 264, or \$364/ton. Trade sources have indicated that they had been told unofficially by the Commission that this will not be the only rice export tender, but that others will follow. The first licenses were confirmed this week and included sales to Israel, a traditional U.S. market.

Brazil Promises to Investigate German Wheat Exports

The Brazilian Government announced that it will initiate an investigation of German wheat imports for subsidies at the request of Argentina's Agriculture Secretary. In November 1992, at the request of the domestic producers, Brazil applied a 27.9 percent temporary countervailing duty (CVD) against U.S. wheat sales, claiming they adversely affected domestic production. Ultimately, the producers' CVD petition was not upheld by Brazilian authorities and importers were reimbursed for the duty they paid. This marketing year, Brazil has reportedly purchased over 500,000 tons of wheat from Germany, almost 2 million tons of wheat from Canada and only a negligible amount from the United States.

Central American Countries Agree To Ban Asian Rice Import

Due to the failure of the current price band mechanism to protect producers from cheap Vietnamese rice, the CA-4 (Guatemala, El Salvador, Honduras, and Nicaragua) has agreed to virtually prohibit future imports of Vietnamese rice. This has been done by modifying the price band pricing structure for rice and by imposing strict phytosanitary requirements on rice imports from countries suspected of having problems with khapra beetle. El Salvador, Guatemala, and Honduras have purchased approximately 13,000 tons, 5,500 tons, and 7,000 tons, respectively, of Vietnamese rice in the past several months. Guatemala and El Salvador have enough rice from earlier shipments to keep them operating until harvests begin in August. Honduran millers have an agreement that they purchase 16,000 tons more from Vietnam; the government will continue to honor that agreement without imposing the strict phytosanitary restrictions. Theoretically, U.S. rice could be purchased instead. However, U.S. rice prices are still significantly higher than Vietnamese rice prices.

President Declines to Limit Honey Imports From China, Future Imports to Be Monitored

President Clinton issued a memorandum dated April 21 announcing his decision not to implement controls on imported honey from China, as earlier recommended by a majority of the Commissioners of the International Trade Commission. In declining to impose trade controls, the President concluded that "import relief for honey is not in the national economic interest of the United States." It was also noted that "in this case, imposing restrictions on imports of honey would run counter to our policy of promoting an open and fair international trading system." The Administration has agreed, however, to implement a system of import monitoring for honey and it remains possible, therefore, that future action could be taken should developments warrant. An interagency meeting was held on May 3 to discuss the framework and implementation of the import monitoring system.

U.S. Cotton Shipments to Pakistan Catch Snag

The tight 1993/94 world cotton supply situation and insect problems in Pakistan have resulted in an opportunity for U.S. shippers to supply cotton to Pakistan, normally a U.S. competitor. However, Pakistan's Plant Protection and Quarantine (PPQ) requirements are a significant obstacle to U.S. exports. According to Pakistani PPQ officials, U.S. shipments must be certified by APHIS as having been fumigated prior to shipment and will be fumigated again upon entering Pakistan. The requirement means that fumigation in the United States must be done under APHIS supervision which increases the cost by 15-20 percent. Exporters have complained that this additional cost was not factored in when contracts were negotiated, and cotton shipments to Pakistan have been held up at the U.S. port as a result of these requirements. U.S. exporters prefer that if fumigation prior to shipment is required, the documentation provided by the fumigation firm should serve as sufficient evidence of the procedure being performed to specification. The U.S. Agricultural Attache in Pakistan is attempting to ascertain if there are written regulations which delineate these requirements. U.S. exports to Pakistan during MY 93/94 currently total 37,000 bales with a total export commitment of 81,000 bales.

Canada to Change Its Chicken Production Quota Allocation System

After years of using GATT Article XI to limit imports of chicken, the Government of Canada is finally considering a more market-responsive domestic production allocation system. FAS/Ottawa reports that the National Farm Products Council (NFPC), a Canadian federal regulatory agency, supports the Canadian Chicken Marketing Agency's goal of boosting chicken production in Ontario by 20 percent over the 1994 May/August production period, despite protests by three other provinces.

The NFPC ruled that the old allocation system, which gave the same share of national production to each province since 1972, is no longer effective. FAS/Ottawa points out that Canadian chicken producers believe that the time is right for a change, since they think that the tariff rate quota (280 percent on over-quota imports) negotiated under the Uruguay Round will defend against U.S. exporters and thus allow Canadian production to meet the pent-up demand caused by high prices and low supply.

In addition to Ontario, other provinces will probably be allowed to increase chicken production to meet market demand. If these trials are successful, industry observers believe this practice could become permanent.

...Market Updates

Canada Terminates National Hog Tripartite Stabilization Plan

According to Agriculture Canada officials, the signatories of Canada's National Tripartite Stabilization Plan for hogs have voted to terminate the program for all provinces except one, effective April 1, 1994. Ontario will offer tripartite coverage to producers during the second quarter of 1994, but after July 1, there will be no active national tripartite program in the livestock sector.

The main concern of the Canadian livestock industry is that the tripartite system will continue to provoke US producers to ask for countervailing duties. The U.S. Department of Commerce had earlier deemed the hog tripartite program as a countervailable action. The tripartite system for beef was eliminated on Dec. 31, 1993 for the same reason.

Downward Pressure On Wheat Flour Exports

Wheat flour exports from the United States face difficulty, not only from continued subsidized EU competition, but also from the shrinking of several U.S. markets. The EU continues to expand its exports, from 7.1 million tons in 1990/91 to 7.5 million tons in 1993/94. In terms of markets, Egypt's continuing privatization of its wheat industry is reducing imports of flour, while political events elsewhere, such as the Haiti trade embargo and Civil War conditions in Yemen, point to substantial reductions in exports to those markets, which represent about one-third of U.S. flour exports. As a result, U.S. millers are seeking new markets, such as Vietnam. Virtually all of Vietnam's flour imports are from subsidizing origins.

Civil War Disrupts Yemen Wheat Trade

According to trade sources, the escalating civil war between forces of the former North and South Yemen is disrupting wheat and wheat flour shipments to that country. One exporter is reportedly delaying a 25,000-ton wheat shipment. Other reports indicate that approximately 50,000 tons of U.S. wheat have been seized without compensation by the Yemeni authorities in Aden. Reports from Sanaa are fragmentary because telecommunications have been virtually cut by the warring factions. Yemen has purchased all of the 800,000 tons wheat allocated under EEP, but at least 300,000 tons of the wheat have not yet been shipped.

Philippines Liberalizes Planting Seed Import Regime

On March 17, 1994, the Philippine Government liberalized seed imports by removing import restrictions which had been in place for at least 15 years and reducing tariffs from 20 percent to 3 percent ad valorem. USAID estimates that the Philippine planting seed market could reach \$100 million if farmers learn U.S. techniques, which include higher planting rates. Through the 1980's, on a July-June marketing year basis, U.S. planting seed exports to the Philippines generally ranged between \$600,000 and \$950,000. In 1988/89, exports jumped to \$1.3 million and have climbed slowly since. A comparison of July-February data indicates that 1993/94 exports could reach \$1.6 million, a 6-percent increase over 1992/93.

South Korea Buys U.S. Corn After Long Absence

After being virtually absent from the U.S. corn market for the past year, South Korea purchased over 100,000 tons of U.S. corn. While these purchases almost double 1993/94 commitments, they are still substantially below last year's level of 1 million tons. Since 1989/90, South Korean imports of U.S. corn have plummeted from over 5.6 million tons annually to the current level of 250,000 tons, due to increased competition from cheap Chinese corn and Canadian feed wheat. However, with reported shipping and quality problems currently affecting Chinese corn exports, shipments of Canadian feed wheat down, and U.S. corn prices falling, prospects for continued 1993/94 purchases of U.S. corn by South Korea seem favorable.

...Market Updates

U.S. Aims at Duty Reductions On Fruit In Taiwan GATT Accession

Obtaining significant reductions in Taiwan's high tariff rates for fresh fruit (40-50 percent) is a high priority for U.S. exporters in the GATT accession discussions. The Taipei press reported that fresh fruit imports could be liberalized over a six-year period as part of Taiwan's GATT accession package. Currently, only the United States enjoys unrestricted access for several key commodities (apples, citrus, grapes, stone fruit), with Canada also eligible to ship apples and Europe able to export peaches and nectarines. Under the reported scenario, third country suppliers currently facing restrictions would be subjected to a phased liberalization, with gradually increasing quota allotments over the transition period. By year six, the market for most fruits would be completely open. U.S. exporters are generally confident they can successfully compete among other foreign suppliers in an open market environment in Taiwan, and argue the lower tariffs are needed to expand marketing outlets and opportunities. U.S. exports of fresh fruit to Taiwan topped \$125 million in CY 1993.

PAC-RIM Trade Shows Expand Markets for Consumer Food Products

Exhibitors expressed overwhelming interest in repeat attendance at FAS-sponsored food shows in Singapore and Korea where they experienced great success making promising new sales contacts. At "Food and Hotel Asia" in Singapore, FAS' exhibitors reported making 40-percent more promising contacts than at the same event in 1992. In Seoul, buyer interest at the "Great American Food Show" remained firm in spite of extraordinary efforts made by the Korean Government to discourage the holding of the show. Based on exhibitor projections, the shows are expected to facilitate approximately \$12 million in new export sales during the coming year. Sponsorship of the events cost \$350,000, 90 percent of which was covered by participation fees from over 80 exhibitors.

Canada Increases Boneless Beef Tariff- Rate Quota

On May 6, 1994, the Canadian Government increased its 1994 tariff-rate quota (TRQ) for non-U.S. boneless beef by 13,000 tons, to approximately 85,000 tons. The upward adjustment gives way to Canadian traders pressing for greater access to imported beef. Canadian cattlemen, supported by a recent Canadian International Trade Tribunal finding, continue to claim boneless beef imports from non-U.S. suppliers, primarily Australia and New Zealand, threaten the Canadian beef industry. The May 6 action allows additional boneless beef to enter Canada before the above quota tariff of 25 percent is applied. The previous 72,021-ton TRQ was filled much earlier than expected. Officials at Agriculture Canada confirm that despite this increase, Australia has filed a GATT complaint against the Canadian safeguard measure.

U.S. Exports of Agricultural, Fish & Wood Products to All Countries

Calendar Years 1989 to 1994 and Year-to-Date Comparisons

(Thousands of Dollars)

Product	Calendar Years					January - March		% Chg
	1989	1990	1991	1992	1993	1993	1994	
Bulk Agricultural Total	22,813,257	20,232,083	18,348,386	19,687,248	18,593,458	5,539,429	4,995,052	-9.8
Wheat	5,886,505	3,839,037	3,292,138	4,449,324	4,664,582	1,278,595	1,038,338	-18.8
Coarse Grains	7,738,137	7,036,717	5,722,597	5,736,599	5,000,598	1,380,136	1,199,690	-13.1
Rice	971,123	801,527	753,557	726,072	771,312	182,783	254,817	39.4
Soybeans	3,942,468	3,549,508	3,956,443	4,380,402	4,598,746	1,673,154	1,389,894	-16.9
Cotton	2,268,501	2,798,495	2,491,999	2,010,338	1,540,678	488,187	585,954	20.0
Tobacco	1,301,173	1,441,116	1,427,631	1,650,559 *	1,308,067	365,364	350,046	-4.2
Pulses	298,404	353,111	268,414	191,656	213,254	52,565	51,732	-1.8
Peanuts	192,670	203,373	180,304	240,308	204,576	46,095	37,969	-17.6
Other Bulk Commodities	214,275	209,199	255,304	301,989	293,845	72,550	86,613	19.4
Intermediate Agricultural Total	8,645,875	8,573,907	8,789,224	9,231,134 *	8,973,466	2,460,994	2,442,114	-0.8
Wheat Flour	257,937	182,956	184,258	184,317	205,729	80,078	60,048	-0.0
Soybean Meal	1,212,295	1,005,103	1,155,307	1,294,722	1,132,041	378,538	285,312	-24.6
Soybean Oil	358,723	312,930	222,126	376,202	363,897	103,043	100,192	-2.8
Other Vegetable Oils	423,994	394,790	418,144	502,732	543,897 *	147,392	135,616	-8.0
Feeds & Fodders (excl. pet foods)	1,596,995	1,572,369	1,605,732	1,722,327	1,744,163 *	472,506	444,091	-6.0
Live Animals	490,501	513,783	686,563 *	807,891	518,927	104,269	133,163	27.7
Hides & Skins	1,696,164	1,729,731	1,357,570	1,326,054	1,268,658	321,115	357,757	11.4
Animal Fats	510,153	428,729	426,824	515,214	501,702	125,508	128,575	2.4
Planting Seeds	510,214	588,723	671,655	675,011 *	619,359	221,271	241,332	9.1
Sugars, Sweeteners & Bever. Bases	409,198	572,052	834,101	573,921	587,807	140,888	180,562	14.1
Other Intermediate Products	1,179,702	1,272,743	1,426,946	1,452,744	1,507,288 *	388,592	395,465	2.3
Consumer-Oriented Agricultural Total	8,379,789	10,465,615	11,967,920	13,895,994	14,911,316 *	3,338,357	3,693,838	10.7
Snack Foods (excluding nuts)	364,429	530,125	833,040	829,679	1,024,643 *	239,190	253,076	5.8
Breakfast Cereals & Pancake Mix	91,881	157,882	216,802	219,762	252,993 *	89,588	66,717	-4.1
Red Meats, Chilled/Frozen	2,213,602	2,394,495	2,660,267	3,112,361 *	3,055,222	878,955	738,309	8.7
Red Meats, Prepared/Preserved	100,638	135,998	165,101	181,562	220,038 *	45,475	56,437	24.1
Poultry Meat	509,426	872,888	817,913	928,484	1,100,613 *	225,110	315,398	40.1
Dairy Products	430,741	328,053	462,958	793,754	857,487 *	199,332	203,192	1.9
Eggs & Products	90,885	101,979	143,387	139,234	139,438	33,431	36,132	8.1
Fresh Fruit	1,134,857	1,488,489	1,561,053	1,683,344	1,707,147 *	341,169	398,159	18.7
Fresh Vegetables	356,015	728,648	832,935	899,624	985,953 *	250,002	237,125	-5.2
Processed Fruit & Vegetables	1,003,818	1,248,753	1,394,490	1,558,121	1,639,583 *	374,145	380,074	1.8
Fruit & Vegetable Juices	291,248	375,497	385,414	481,017	489,517 *	114,015	111,131	-2.5
Tree Nuts	683,332	801,120	887,704	928,531	998,246 *	198,035	280,245	31.4
Wine and Beer	206,095	266,202	315,756	389,181	379,301 *	75,679	89,353	18.1
Nursery Products & Cut Flowers	104,887	188,741	201,442	201,321	209,397 *	58,958	53,999	-8.4
Pet Foods, Dog/Cat	175,539	244,038	329,772	399,630	497,821 *	117,904	133,544	13.3
Other Consumer-Oriented Products	622,997	808,706	979,907	1,190,410	1,374,116 *	315,369	360,748	14.4
Wood Products Total	6,013,514	6,481,227	6,429,179	6,741,685	7,281,313 *	1,840,738	1,699,958	-7.6
Logs	2,368,026	2,388,921	2,074,432	2,140,010	2,489,560 *	838,651	531,050	-16.8
Lumber	2,040,251	2,127,895	2,203,353	2,322,491	2,449,643 *	612,258	603,966	-1.4
Plywood & Panel Products	642,703	789,983	735,227	847,867	906,397 *	229,450	239,833	4.5
Other Wood Products	962,534	1,194,428	1,416,167	1,431,317	1,435,714 *	360,380	325,109	-9.8
Fish & Seafood Products Total (Edible)	2,283,151	2,776,759	3,035,383	3,353,935 *	2,959,086	807,761	790,292	-2.2
Salmon, Whole/Viscerated	729,294	666,582	436,975	681,663	583,060	34,271	28,547	-16.7
Salmon, Canned	89,744	104,276	133,644	154,401	160,418 *	32,530	34,801	7.0
Crab & Crabmeat	253,874	363,251	431,411	448,050 *	417,660	273,052	239,862	-12.2
Surimi (fish paste)	N/A	N/A	N/A	367,627 *	274,322	81,811	94,923	18.0
Roe & Urchin	263,246	289,458	389,031	421,396 *	415,319	118,879	142,294	19.9
Other Edible Fish & Seafood Products	947,192	1,353,193	1,644,322 *	1,280,798	1,108,309	287,417	249,865	-6.6
Agricultural Product Total	39,838,921	39,271,605	39,105,530	42,814,376	42,478,240	11,336,780	11,130,804	-1.8
Agricultural, Fish & Wood Product Total	48,135,586	48,529,591	48,570,092	52,909,996 *	52,718,839	13,985,279	13,621,054	-2.6

Note: (*) Highest export level since at least 1970.

N/A = not available.

U.S. Agricultural, Fish & Wood Product Exports by Major Commodity Group

Monthly and Annual Performance Indicators

Export Values	March			October–March			Fiscal Year		
	1993	1994		FY '93	FY '94		1993	1994(f)	
	– \$Billion–		Change	– \$Billion–		Change	– \$Billion–		Change
Grains and Feeds 1/	1.281	1.230	–4%	7.736	7.261	–6%	14.332	13.1	–9%
Wheat & Flour	0.469	0.349	–26%	2.634	2.310	–12%	4.954	4.2	–15%
Rice	0.059	0.102	74%	0.388	0.463	19%	0.768	1.0	30%
Coarse Grains 2/	0.443	0.454	2%	2.886	2.613	–9%	5.094	4.3	–16%
Corn	0.346	0.361	4%	2.367	2.220	–6%	4.251	3.7	–13%
Feeds & Fodders	0.187	0.196	5%	1.141	1.174	3%	2.196	2.2	0%
Oilseeds and Products	0.774	0.630	–19%	4.777	4.439	–7%	7.371	6.8	–8%
Soybeans	0.492	0.386	–21%	3.170	2.879	–9%	4.606	4.1	–11%
Soybean Cakes & Meals	0.128	0.101	–21%	0.723	0.615	–15%	1.146	0.9	–21%
Soybean Oil	0.031	0.028	–11%	0.194	0.228	17%	0.327	0.3	–8%
Other Vegetable Oils	0.057	0.048	–16%	0.262	0.298	14%	0.496	NA	NA
Livestock Products	0.489	0.555	13%	2.932	3.042	4%	5.886	6.1	4%
Red Meats	0.241	0.282	17%	1.456	1.504	3%	3.052	3.1	2%
Hides, Skins & Furs	0.119	0.142	19%	0.625	0.659	5%	1.271	1.3	2%
Poultry Products	0.105	0.156	48%	0.646	0.803	24%	1.315	1.6	22%
Poultry Meat	0.076	0.125	63%	0.479	0.638	33%	0.994	NA	NA
Dairy Products	0.064	0.088	38%	0.455	0.477	5%	0.891	0.9	1%
Unmanufactured Tobacco	0.115	0.104	–10%	0.823	0.671	–18%	1.443	1.2	–17%
Cotton and Linters	0.186	0.228	22%	0.870	0.970	12%	1.538	2.5	63%
Planting Seeds	0.068	0.065	–3%	0.448	0.423	–6%	0.664	0.6	–10%
Horticultural Products	0.620	0.688	11%	3.573	3.876	8%	7.299	7.9	8%
Sugar & Tropical Products	0.157	0.172	10%	0.885	1.000	13%	1.715	1.8	5%
Wood Products 4/	0.684	0.644	–6%	3.566	3.413	–4%	7.293	NA	NA
Fish and Seafood Products 4/	0.362	0.322	–11%	1.348	1.362	1%	2.928	NA	NA
Total Agriculture	3.859	3.914	1%	23.143	22.961	–1%	42.454	42.5	0%
Total Agriculture, Fish & Wood	4.905	4.880	0%	28.057	27.737	–1%	52.675	NA	NA

Export Volumes	-- MMT--			-- MMT--			-- MMT--		
			Change			Change			Change
Grains and Feeds 1/	9.088	7.689	–15%	56.889	48.295	–15%	104.149	NA	NA
Wheat	3.233	2.637	–18%	19.044	17.105	–10%	36.081	31.0	–14%
Wheat Flour	0.115	0.119	3%	0.550	0.520	–5%	1.067	1.0	–6%
Rice	0.196	0.232	19%	1.243	1.325	7%	2.713	2.6	–4%
Coarse Grains 2/	4.375	3.545	–19%	28.777	22.044	–23%	50.100	37.1	–26%
Corn	3.437	2.815	–18%	23.613	18.665	–21%	41.766	31.0	–26%
Feeds & Fodders	0.970	0.958	–1%	6.094	6.176	1%	11.885	11.9	0%
Oilseeds and Products	3.125	2.141	–31%	19.827	15.694	–21%	29.408	23.5	–20%
Soybeans	2.170	1.459	–33%	14.406	11.219	–22%	20.400	16.1	–21%
Soybean Cakes & Meals	0.644	0.464	–28%	3.563	2.879	–19%	5.653	4.4	–22%
Soybean Oil	0.065	0.043	–34%	0.387	0.381	–2%	0.644	0.5	–22%
Other Vegetable Oils	0.097	0.057	–41%	0.442	0.434	–2%	0.824	NA	NA
Livestock Products 3/	0.247	0.256	4%	1.439	1.408	–2%	2.811	NA	NA
Red Meats	0.071	0.087	23%	0.434	0.481	11%	0.903	1.0	11%
Poultry Products 3/	0.078	0.128	64%	0.479	0.657	37%	1.012	NA	NA
Poultry Meat	0.075	0.124	65%	0.459	0.637	39%	0.974	1.2	23%
Dairy Products 3/	0.044	0.046	2%	0.399	0.467	17%	0.467	NA	NA
Unmanufactured Tobacco	0.018	0.017	–9%	0.139	0.107	–23%	0.231	NA	NA
Cotton & Linters	0.141	0.170	20%	0.656	0.752	15%	1.163	1.6	38%
Planting Seeds	0.068	0.063	–7%	0.347	0.305	–12%	0.556	NA	NA
Horticultural Products 3/	0.441	0.465	5%	3.066	3.360	10%	6.188	6.8	10%
Sugar & Tropical Products 3/	0.107	0.094	–12%	1.102	0.910	–17%	0.910	NA	NA
Total Agriculture 3/	13.36	11.07	–17%	84.341	71.955	–15%	146.89	123.9	–16%

Notes: 1/ Includes pulses, corn gluten feed and meal; 2/ includes corn, oats, barley, rye and sorghum;

3/ includes only those items measured in metric tons; 4/ items not included in agricultural product totals.

FY 1994 forecasts (f) are based on USDA's "Outlook for Agricultural Exports," published May 27, 1994.

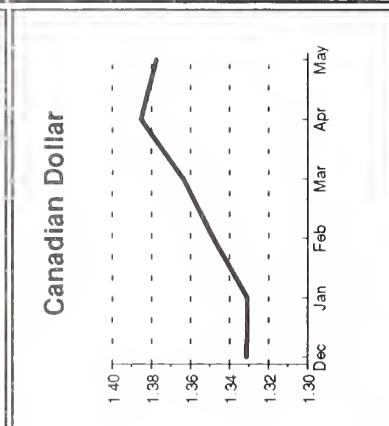
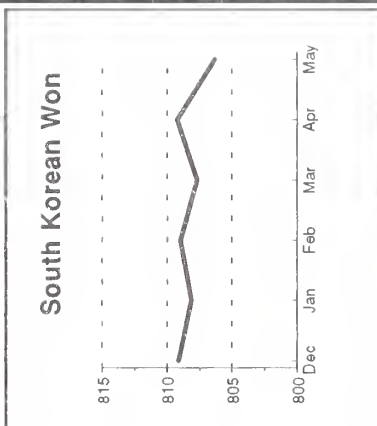
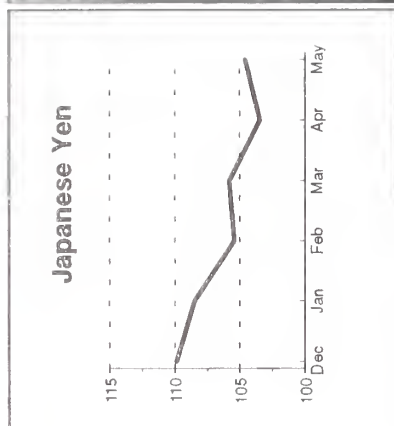
U.S. Agricultural Export Value by Region
Monthly and Annual Performance Indicators

	March			October–March			Fiscal Year		
	1993	1994	Change	FY '93	FY '94	Change	1993	1994(f)	Change
	–\$Billion–			–\$Billion–			–\$Billion–		
Western Europe	0.730	0.603	–17%	4.966	4.301	–13%	7.439	7.0	–6%
European Union 1/	0.686	0.557	–19%	4.725	4.040	–14%	6.964	6.5	–7%
Other Western Europe	0.043	0.046	5%	0.241	0.260	8%	0.475	0.5	5%
Eastern Europe	0.061	0.020	–67%	0.278	0.182	–34%	0.465	0.4	–14%
Former Soviet Union	0.093	0.093	–1%	0.694	1.011	46%	1.435	1.5	5%
Asia	1.446	1.675	16%	8.307	8.907	7%	15.866	16.6	5%
Japan	0.720	0.852	18%	4.174	4.716	13%	8.430	9.2	9%
China	0.031	0.052	70%	0.172	0.207	20%	0.317	0.5	58%
Other East Asia	0.465	0.532	14%	2.617	2.746	5%	4.932	5.0	1%
Taiwan	0.211	0.220	4%	1.054	1.212	15%	1.998	2.2	10%
South Korea	0.176	0.208	18%	1.098	1.034	–6%	2.041	1.9	–7%
Hong Kong	0.074	0.104	40%	0.454	0.499	10%	0.878	0.9	3%
Other Asia	0.231	0.239	4%	1.343	1.237	–8%	2.187	2.0	–9%
Pakistan	0.001	0.025	3074%	0.168	0.139	–17%	0.236	0.3	27%
Philippines	0.071	0.058	–18%	0.312	0.272	–13%	0.511	0.5	–2%
Middle East	0.195	0.126	–35%	1.025	0.938	–9%	1.856	1.9	2%
Israel	0.027	0.019	–32%	0.184	0.192	4%	0.363	0.4	10%
Saudi Arabia	0.039	0.036	–8%	0.258	0.264	2%	0.429	0.5	17%
Africa	0.208	0.220	6%	1.505	1.208	–20%	2.593	2.3	–11%
North Africa	0.140	0.145	4%	0.860	0.844	–2%	1.587	1.6	1%
Egypt	0.044	0.051	15%	0.405	0.296	–27%	0.727	0.6	–17%
Algeria	0.048	0.077	61%	0.228	0.394	72%	0.428	0.7	64%
Sub–Saharan Africa	0.068	0.075	10%	0.645	0.364	–44%	1.006	0.8	–20%
Latin America	0.627	0.685	9%	3.466	3.530	2%	6.813	7.0	3%
Mexico	0.345	0.417	21%	1.800	1.891	5%	3.621	3.9	8%
Other Latin America	0.282	0.268	–5%	1.666	1.639	–2%	3.192	3.1	–3%
Brazil	0.011	0.025	125%	0.147	0.140	–5%	0.231	0.2	–13%
Venezuela	0.064	0.037	–41%	0.290	0.229	–21%	0.498	0.4	–20%
Canada	0.463	0.454	–2%	2.505	2.514	0%	5.202	5.3	2%
Oceania	0.036	0.040	11%	0.219	0.254	16%	0.453	0.5	10%
World Total	3.859	3.914	1%	23.144	22.962	–1%	42.454	42.5	0%

Notes: 1/ Formerly known as the European Community (EC–12).

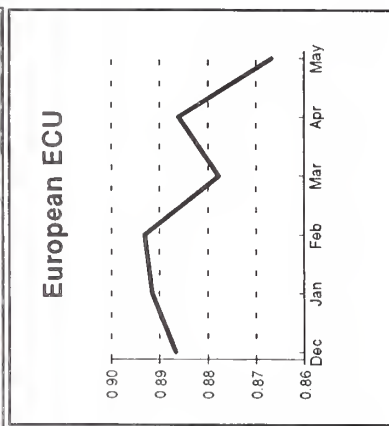
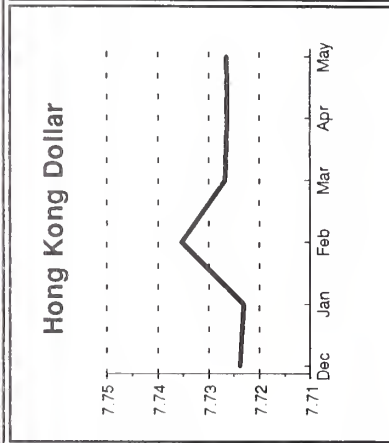
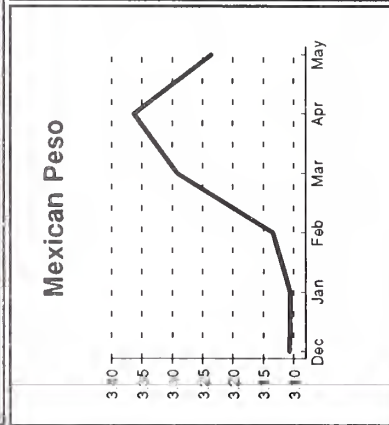
FY 1994 forecasts are based on USDA's "Outlook for U.S. Agricultural Exports," published May 27, 1994.

Exchange Rate Movements Of Major World Currencies Vis-a-Vis U.S. Dollar -- Daily Spot Quotations & Monthly Averages



Currencies	Current Rate 5/17/94	Month Ago 4/18/94	Year Ago 5/93	% Change Year Ago 5/93
Argentine Peso	.99	.99	.99	0.00
Australian Dollar	1.3816	1.3970	1.4245	-3.71
Brazilian Cruzeiro real	1586.32	1071.01	3535.52	-55.13
Canadian Dollar	1.3772	1.3890	1.2763	7.91
Hong Kong Dollar	7.7265	7.7267	7.7295	-0.04
Japanese Yen	104.57	103.08	110.78	-5.61
Mexican Peso	3.2350	3.3625	3.1240	3.55
Taiwan Dollar	26.80	26.39	25.95	3.28
South Korean Won	806.30	809.20	801.70	0.57
European ECU	.88670	.88308	.82645	7.29
-British Pound	.6653	.6773	.6515	2.12
-French Franc	5.7305	5.8490	5.4405	5.33
-West German Mark	1.6725	1.7080	1.6137	3.64

NOTE: Exchange rates are daily spot quotes as of 3:00 PM Eastern Time, May 17, 1994.
Source: TEAD/ITP/FAS Exchange Rate Database and Wall Street Journal.



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Agricultural Trade Highlights staff includes:

Production Assistants

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